



THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE OF ENERGY AND
ENVIRONMENTAL AFFAIRS
Department of Agricultural Resources

251 Causeway Street, Suite 500, Boston, MA 02114
617-626-1700 fax 617-626-1850 www.Mass.gov/AGR



DEVAL L. PATRICK
Governor

TIMOTHY P. MURRAY
Lieutenant Governor

IAN A. BOWLES
Secretary

SCOTT J. SOARES
Acting Commissioner

Dairy Farm Revitalization Task Force

**Approved Meeting Minutes
September 21, 2007
Lord Jeffery Inn
Amherst, MA
9:30 AM to 5:00 PM**

Task Force Members Present:

Ms. Lynne Bohan, Processor Representative;
Representative Daniel Bosley, House of Representatives;
Dwayne Breger, Ph.D., Department of Health Designee;
Senator Stephan Brewer;
Mr. Mark Duffy, Farmer Representative;
Representative Lou Evangelidis, House of Representatives;
Ms. Ellen Fitzgibbons, Department of Public Health Designee;
William Gillmeister, Ph.D., appointee, Department of Agricultural Resources;
Undersecretary Philip Griffiths, EEA Secretary's Designee;
Senator Michael Knapik;
Representative Stephen Kulik, House of Representatives
Mr. Robert O'Connor, appointee Executive Office of Environmental Affairs;
Mr. David Shepard, Massachusetts Cooperative of Milk Producers Federation representative;
Mr. Scott Soares, Acting Commissioner Department of Agricultural Resources;
Senator Stanley Rosenberg
Mr. Greg Watson, appointee, Energy and Environmental Affairs;
Mr. Richard Woodger, Massachusetts Association of Dairy Farmers Representative;

Members of the public were present at the meeting

1. Call to Order

Acting Commissioner Scott Soares called the meeting into order at 9:57 a.m.

2. Approval of September 7, 2007 Meeting Minutes

Motion: Representative Bosley made a motion, seconded by Representative Kulik, to approve the minutes.

Vote: Unanimous

3. Old Business

a. Vermont Program

- i. Secretary Richard Allbee, Secretary of the Vermont Agency for Agriculture, Food, and Markets;

Acting Commissioner Scott Soares introduced guest speaker Secretary Richard Allbee. Secretary Allbee has over twenty years experience in the dairy sector and with dairy and farm policy at both the state and national level. Secretary Allbee provided a presentation hi-lighting the challenges the dairy sector in Vermont is currently facing and examples of how the Vermont Department of Agriculture is working closely with state, federal and local organizations, as well as the private sector, in overcoming these challenges.

Secretary Allbee stressed the importance of the dairy sector in Vermont along with his firm belief in its sustainability. He also communicated the challenges it shares with Massachusetts. The dairy sector of Vermont currently represents 85% of the total gross farm income. Vermont currently processes 31% of its milk in Massachusetts

The Secretary continued by presenting a graph to the Task Force indicating milk price fluctuations since 1980, highlighting the most current dip. These pricing dips for milk price range from 30 to 35 months. After weathering the most current dip, where milk prices dropped to 12 dollars cwt, the Vermont dairy sector is experiencing a rebound driven by the improvement of environmental factors, an increase in pricing and the assistance provided by the State Legislature through the Vermont Dairy Task Force, where an Emergency Dairy Fund of \$11.6 million was appropriated and disbursed to assist the sector through the crisis. These factors, along with a good crop and cuts of hay in 2007, have improved the short-term outlook.

Secretary Allbee indicated that in spite of these improvements, the dairy sector in the Northeast faces serious challenges as the current high cost of production; deeper fluctuations in milk price and the increased demand of world protein from China and other Asian Markets are driving up costs further. Secretary Allbee stressed that market dips must be mitigated. At prices of 12 dollars cwt, producers will be unable to cope and recovery cycles are as long as two years.

He then explained that there are ways that states can moderate some of these issues, as emergency funding is not a sustainable option. The Vermont Dairy Task Force has many initiatives that are currently underway and is working closely with other states and the Federal Government in determining and implementing policies and practices to assist in recovery and sustainability. Vermont currently has an MOU with the states of New York and Pennsylvania to collaborate on dairy issues. The Secretary also described the effective deployment of dairy profitability teams, which use the Pennsylvania model, where the farmer couples with an assistance team to help them in becoming more efficient. He reported that the profitability teams have added up to \$250 per cow on some farms in Vermont.

Secretary Allbee spoke some of the alternative energy projects in Vermont. The adoption of methane digester projects is going well in Vermont as 6 are already up and running effectively and 11 are projected to be operational by the end of the year. Algae' farming for oil extraction is also being tested.

However, the Secretary stressed the challenges associated with these value-added initiatives. The Vermont Technical College is currently providing technical and training assistance to Vermont dairy Farmers.

The Secretary also discussed the State's Fair Trade Milk concept and cited a completed marketing report conducted by DSG. The report polled 3000 respondents in five states in the Northeast region and reached, as one of its conclusions, that local produced milk is the big driver, not organic. Twenty-five percent of the households surveyed were willing to pay 30 to 60 cents more for local milk. The report indicated that "knowing where your milk comes from" could witness increased profit of 25% off the .30 to .60 per gallon increase in price, if labeled properly. Respondents in urban areas were willing to pay more than those in rural areas, according to the report.

The Secretary offered a copy of the report to the Massachusetts Task Force after the report has been officially submitted to the Vermont Dairy Task Force.

The Vermont Dairy Task Force is also evaluating the further use and strengthening of Vermont's quality seal program to be utilized to more closely resemble the AOC standards currently used in European viticulture. He also mentioned the necessity of increasing funded marketing programs and evaluating new functional foods such as drinkable yogurt.

Once again the Secretary reiterated the challenges the sector was experiencing and his belief that through proper policies at both the Federal and State levels many of the identified risk factors could be mitigated and that the dairy sector in the Northeast was not dead.

As Secretary Allbee concluded his presentation, Task Force members asked many questions on many aspects of the initiatives currently underway in the State of Vermont. Some questioned the success of methane digester implementations in the State of Vermont based on prior information provided by experts from Cornell and New Mexico on the engineering expertise necessary to efficiently operate these plants. Secretary Allbee disagreed with these opinions and re-iterated the success in VT.

b. Public Comment on Identified Options

- i. Ms. Kate Rossiter, Massachusetts Organic Dairy Coordinator for the Northeast Organic Farming Organization (NOFA);

Acting Commissioner Scott Soares opened discussion to the public. Mrs. Kate Rossiter, the Massachusetts Organic Dairy Coordinator for NOFA, delivered a presentation on behalf of the NOFA/NODPA alliance. The presentation encouraged the Task Force to support grass-based grazing and organic milk production in Massachusetts. In her discussion Ms. Rossiter brought up the fact that Massachusetts currently has five certified organic dairies, with three selling certified organic milk in 2007. This is in sharp contrast to neighboring states where the number of grass-based grazing or organic production far exceeds this number. Ms. Rossiter highlighted three main points to increase the number of grass-based or organic production dairy farms in Massachusetts.

First is the provision of educational models that allow dairy farmers to assess the viability of changing their production methods to lower the cost of production and/or increase their return and build the infrastructure necessary to provide technical assistance in their decision-making. Second, is the increase of financial support to dairy farms for adopting new production methods and preserving Agriculturally Productive Open Space and third, the long term support for environmentally sound farming practices.

Ms. Rossiter continued her presentation by reemphasizing the presentation delivered by Mr. Ed Maltby, the Executive Director of the Northeast Organic Dairy Producers Association (NODPA), during the September 7, 2007 Task Force meeting. The presentation included studies and facts that demonstrated the economic gains of grass-based and/or organic milk production.

ii. Ms. Melissa Adams, Agricultural Consultant;

Acting Commissioner Scott Soares continued discussion to the public. Mrs. Melissa Adams, an agricultural consultant currently working with dairy farmers participating in the Farm Viability Enhancement Program (FVEP) and a member of the advisory committee for the proposed dairy processing plant in Franklin County, delivered a presentation in support of NOFA and its mission of organic farming practices and a cleaner environment.

Ms. Adams communicated to the Task Force her hope that continued support will be provided for the funding of technical assistance through the FVEP and that program outreach will increase in order to improve farmer participation. Ms. Adams also expressed her conviction that the Task Force support local cooperative initiatives such as the proposed dairy processing plant in Franklin County. Ms. Adams also proposed the establishment of a mentorship program between farmers in Massachusetts and farmers in other states such as Vermont and New York in order to take advantage of regional expertise in the conversion to alternative means of production.

Senator Brewer asked what the requirements were and how much cost was associated with the FVEP. Deputy Commissioner Kent Lage stated that the current cost to develop the Business Plan is \$6,000.00.

iii. Mr. Warren Facey, Massachusetts Association of Dairy Farmers Representative;

Mr. Warren Facey thanked the Task Force for their efforts and expressed his hopes that the solutions forwarded by the Task Force would work out as well as those provided by the Northeast Interstate Dairy Federation Compact in the past.

iv. Mr. Darrell Williams, Dairy Farmer;

Acting Commissioner Scott Soares called upon Mr. Darrell Williams who presented several suggestions to assist with the difficulties that dairy farmers are currently facing and also touched on several regulatory issues that were a concern. He stressed that the dairy farms currently in operation in the Commonwealth of Massachusetts were those that had adopted best practice to survive. He also stressed that the financial assistance needed during pricing drops was necessary to meet cost plus wages only and not to guarantee profitability.

Mr. Williams also mentioned several Federal regulatory issues that are problematic for farmers, in particular EPA regulations associated with concentrated animal feedlot operations (CAFO) and silage leachate that drive up costs for farmers. He further suggested that reductions in building fees and taxes currently assessed on equipment and animals would also help. He agreed that 61A does help but that further exemptions and/or reductions would be helpful.

v. Mr. Louis Aragi, Dairy Farmer

Mr. Louis Aragi thanked the Task Force for the assistance provided to his farm through the Emergency Dairy Farm Relief that helped his farm during the last crisis. Mr. Aragi discussed the difficulties of an unstable market and asked that assistance be made permanent as future pricing was hard to predict compared to the guarantee of rising costs.

Mr. Aragi also emphasized that all farmers are equal and hoped that programs would not be segregated between organic and traditional operations. Mr. Aragi also received questions concerning the implementation of a methane digester that was funded with \$600,000 from the Massachusetts Technical Collaborative (MTC). The implementation was successful and Mr. Aragi is confident that it will be a positive contribution to his operations in the future.

vi. Undersecretary Philip Griffiths, EEA Secretary's Designee

Undersecretary Philip Griffiths recognized Acting Commissioner Scott Soares and his staff, thanking him for their professionalism and effort during the Commissioner's current tenure as Co-Chairman of the Dairy Revitalization Task Force.

Motion: Dr. Gillmeister made a motion, seconded by Representative Kulik, to recess for lunch.

Vote: Unanimous

The meeting recessed at 12:15 p.m.

Acting Commissioner Scott Soares called the meeting back to order at 1:15 p.m.

4. New Business

a. Options and Recommendations

Acting Commissioner Scott Soares reminded Task Force members of the process the Task Force had decided to follow in developing its report. The Task Force had completed its review of various options including those that had been applied in other states. He turned to an options matrix that had previously been distributed to the Task Force that listed draft options for consideration and emphasized that, based on Task Force meetings these were only possible options for discussion relative to their inclusion in the Task Force report to the Legislature. Before turning to the list, Acting Commissioner Soares recognized Representative Bosley who noted a set of resolutions adopted by the Council of State Governments.

Motion: Representative Bosley made a motion, seconded by Representative Kulik, to amend the resolutions passed by the Council of State Governments to make them suitable for adoption by the Dairy Farm Revitalization Task Force.

Discussion: None

Vote: Unanimous

The Acting Commissioner then recognized Senator Rosenberg who submitted a new option for consideration as a potential recommendation by the Task Force. Senator Rosenberg noted his sense that dairy farms offer significant benefits to the Commonwealth and all who benefit ought to contribute to the support of a long-term solution. As those who benefit, the Senator mentioned consumers, retailers, and processors, as well as many other residents of the Commonwealth. He then proposed that the Task Force consider recommending the establishment of a Dairy Stabilization Fund. He noted several potential sources of funds including the Community Preservation Act funds, milk dealer license fees, and possibly

other sources. The fund would be built over time with the primary purpose to provide assistance to dairy farmers when events similar to 2006 arise in the future.

Motion: Senator Rosenberg made a motion, seconded by Representative Kulik, that the Task Force consider recommending the establishment of a Dairy Farmer's Stabilization Fund to be used principally to stabilize dairy farm income for the purposes of open space preservation. The Stabilization Fund shall consist of revenues from the following sources: 1) 10% of the revenues generated under section 8 of the Community Preservation Act; 2) milk dealer license fees; 3) any other gifts or volunteer payments to stabilize dairy farm income. Further, Senator Rosenberg moved that the Task Force review and recommend revisions to the milk dealer license fee including but not limited to rescinding the decision to exempt retail stores from the licensing provisions of MGL c. 94A.

Discussion: The Task Force further discussed the three components that could provide income to the Stabilization Fund, maintaining a shared-contribution posture that would be funded over time. Concern was raised over the utilization of the CPA as a contributory element, as various parties have an interest in the utilization of CPA funds. Senator Rosenberg stressed the contribution from the CPA, in particular, due to the fact that the CPA was not working as intended in rural areas.

Discussion continued on the subject of the revision of dealer fees along with the reinstitution of a retail license fee in the Commonwealth. It was further highlighted that it would be necessary for DAR to review its licensing requirements in order to recommend revisions. Also certain questions arose concerning the milk dealer license fees being put into a fund to stabilize farm income may result in legal complications.

Vote: Unanimous

Acting Commissioner Soares returned to the Options Matrix and proceeded with the first possible option which was the establishment of state milk promotion board.

Motion: Representative Kulik made a motion, seconded by Representative Bosley, that the Task Force develops language for the establishment of a Massachusetts' milk promotion program.

Discussion: None

Vote: Unanimous

The Acting Commissioner then turned to the next item on the list which was energy research investment. At that, Mr. Watson stated that he felt this item and the next, energy efficiency and generation assistance, ought to be combined and that, as with the other options, required further work to refine.

Motion: Mr. Greg Watson made a motion, seconded by Undersecretary Phillip Griffiths, to establish a sub-committee to develop language for a recommendation regarding the provision of funds for research and development of alternative energy production

particularly for dairy farms as well as the creation of incentives for the development and adoption of energy efficiency technology and electricity generation on dairy farms.

Discussion: None

Vote: Unanimous

Before turning to the next item, Acting Commissioner recognized Senator Brewer who noted a need to investigate possibilities for the expanded use of agricultural preservation and Farm Viability Funds for farms currently in land preservation programs.

Motion: Senator Brewer made a motion, seconded by Undersecretary Phillip Griffiths, for statutory and/or regulatory adjustment for the utilization of Farm Viability Funds for farms currently under Agricultural Restoration [Preservation Restriction] Programs or other Conservation Restoration Programs.

Discussion: None

Vote: Unanimous

Motion: Senator Brewer made a motion, seconded by Representative Bosley, that the State Treasurer review the possible creation of a Technical Assistance/Capital Improvement low interest loan program for the farming community of the Commonwealth of Massachusetts to sustain the long term viability of Massachusetts's dairy farms.

Discussion: None

Vote: Unanimous

The Acting Commission introduced the next item as dairy transition assistance. Mr. Duffy expressed concern over the use of the term "transition" in that it placed undue emphasis on that way to converting to organic or to becoming a producer dealer. Dr. Gillmeister noted that these were merely options for further consideration and that term "transition" is not etched in stone.

Motion: Mr. Greg Watson made a motion, seconded by Mr. Mark Duffy, to provide technical, administrative, and financial assistance for dairy farmers pursuing commodity milk production and value-added alternatives.

Discussion: Mr. Duffy defended the motion by once again noting that he supported all farms and the need for assistance should be provided to a broad group of dairy farmers, including those that produce for commodity markets as well as those seeking alternative methods of production.

Vote: Unanimous

Motion: Mr. Richard Woodger made a motion, seconded by Senator Rosenberg, 1) to endorse a position within the Department of Agricultural Resources for regulatory review and tracking; 2) to develop a recommendation for the establishment of a committee within EEA consisting of DAR and DEP and other relevant agencies to evaluate and review options for regulatory streamlining for agricultural businesses; 3) contact Department of Revenue and look into and/or review and report on whether the local option may be adjusted for animals and equipment used for dairy production.

Discussion: Mr. Mark Duffy illustrated the need for a review of regulations by citing his experience with waste-water discharge and a very costly tight-tank system required by DEP on his farm. Commissioner Soares further defined the position as the environmental policy and compliance assistance program coordinator.

Vote: Unanimous

Acting Commissioner then turned to the Livestock Gross Margin Insurance for dairy was discussed. It was noted that the margin insurance policy, while it may be useful to some dairy farmers and would soon be available regardless of the Task Force, was not viewed as a viable option and should be dropped from further consideration. There were no objections.

Acting Commissioner Scott Soares then noted that the next item, the Fair Market Contribution program, showed promise given Secretary Allbee's report earlier in the day. Several members agreed.

Motion: Senator Rosenberg made a motion, seconded by Undersecretary Griffiths, that the DAR to consult with Department of Economic Affairs to develop a recommendation to implement a Fair Trade Market Contribution Program.

Discussion: The presentation by Secretary Allbee prompted further interest and discussion on this program. Task Force members recognized a need to develop a mechanism by which consumers who are willing to pay more to support local farms, may do so.

Vote: Unanimous

Acting Commissioner Soares then brought up items 8 and 9, the Maine tax and subsidy model and the Refundable Income Tax Credit model, in the context of whether to proceed with discussion. The general consensus was that the Maine model worked well in Maine, but may not be a viable option for Massachusetts, and the Task Force dropped this option from further consideration. Next came the South Carolina refundable income tax credit program. General interest remained in this option. Representative Bosley noted that this program could be a stand alone program or could possibly be combined with Senator Rosenberg's proposal as a mechanism for the distribution of funds from the dairy stabilization fund.

Motion: Representative Bosley made a motion, seconded by Representative Kulik, that the Task Force develop a refundable income tax credit for the distribution of Dairy Farm Stabilization funds and if the balance is insufficient that the funds come from the general fund.

Discussion: Considerable discussion occurred pertaining to the flow of revenue into the Stabilization Fund and the method of pay-out from the fund to reimburse the Department of Revenue for an income tax credit for farmers. Other details such as the capping of the fund, revenues for the fund when balances were insufficient, among others, were identified for further address.

Vote: Unanimous

The Acting Commissioner noted that the Task Force had completed the task of selecting options for further considerations and asked if any Task Force member had any other items to add to the list of options for further consideration. Representative Bosley suggested two further options be added. He noted the need to further develop agri-tourism. He also related a visit to the Agri-Mark manufacturing facility in West Springfield. As he toured the facility the export market for the nonfat dry milk produced by that plant was noted. He therefore suggested that foreign trade opportunities be explored.

Motion: Representative Bosley made a motion, seconded by Representative Kulik, to recommend that funds be provided through the Massachusetts Office of Travel and Tourism (MOTT) to further develop and expand agri-tourism.

Discussion: None

Vote: Unanimous

Motion: Representative Bosley made a motion, seconded by Representative Kulik, to contact the Massachusetts Office of International Trade and Development to explore foreign trade and investment opportunities for Massachusetts dairy products.

Discussion: None

Vote: Unanimous

Motion: Senator Rosenberg made a motion, seconded by Representative Bosley, to continue the Dairy Revitalization Task Force.

Discussion: Task Force members recognized the significant progress made toward the developing of a report, particularly within the short time-frame. They also recognized the desirability of obtaining more time for the completion of the report. Accordingly it was considered that the Task Force or a similar body should continue to meet in some fashion.

Vote: Unanimous

Motion: Representative Bosley made a motion to reschedule the Dairy Task Force meeting currently scheduled for September 28, 2007 to October 5, 2007 at 12:00 PM at the Lord Jeffrey Inn, Amherst, Massachusetts.

Discussion: None

Vote: Unanimous

5. Public Comment

Dairy farmer Mr. Ed Lawton voiced his support for the South Carolina model and also recommended that a MOU be established for funding. He also re-iterated the difficulties that farmers face when there are deep pricing valleys and recommended the establishment of mechanisms that would maintain prices paid at or above 16.00 cwt.

6. Adjourn

Motion: Mr. Watson made a motion, seconded by Representative Bosley, to adjourn.

Vote: Unanimous

The Meeting adjourned at 3:35 p.m.